



The California Commission on Health and Safety and Workers' Compensation

CHSWC Issue Paper on Public Access to Workers' Compensation Insurance Coverage Information

CHSWC Members

John C. Wilson (2005 Chair)

Allen Davenport

Leonard McLeod

Alfonso Salazar

Kristen Schwenkmeyer

Robert B. Steinberg

Darrel "Shorty" Thacker

Angie Wei

Executive Officer

Christine Baker

**State of California
Labor and Workforce Development Agency**

Department of Industrial Relations

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Background

CHSWC staff drafted a paper on the “State of the Workers’ Compensation Insurance Industry in California” dated April 2002 identifying some of the issues and possible research topics that could be accomplished by CHSWC. CHSWC members voted to have staff examine states’ approaches to improving public access to worker’ compensation coverage information.

The following summarizes findings to date.

Advantages to Public Access to Workers’ Compensation Coverage Information

- Employers are protected from broker fraud because they may verify that they are covered for workers’ compensation.
- Workers are protected from lack of workers’ compensation coverage; employees and/or their representatives may verify that the employer is covered for workers’ compensation.
- Insurers may ascertain if another insurance company could potentially share the liability in certain claims.
- Service providers may determine the appropriate insurance carrier to bill.
- Insured employers are placed at a competitive disadvantage with respect to uninsured employers. Level the economic playing field for insured employers by identifying illegally uninsured employers and bringing them into compliance.
- Insured employers are protected from being doubly disadvantaged when taxes or premiums are raised to cover costs shifted to other government or employer supported services.
- Save taxpayer money by reducing injured worker need to use other social and benefit systems because the employer was illegally uninsured.
- The State would achieve cost savings by handling fewer inquiries and requests for data via letters and phone calls.
- The State could identify illegally uninsured employers more easily which could reduce the Uninsured Employers Fund (UEF) payout of over \$20 million each year.
 - Recoveries and penalties average \$2.3 million per year, resulting in a net loss to the State's General Fund of over \$100 million during a 5 year period.
 - CHSWC conducted three pilot projects regarding illegally uninsured employers. The report entitled “CHSWC Recommendations to Identify Illegally Uninsured Employers and Bring Them into Compliance”, describing these projects in detail, is available at <http://www.dir.ca.gov/CHSWC/uefcover.html>. The rate of uninsured employers in California was found to be approximately 9% in 1998.

- The number of new cases received by UEF increased by 25% between FY 01/02 with 1,001 and FY 03/04 with 1,251.

Current Proof of Coverage Information Availability

California

Researchers and others have stated that it is often difficult for employees to identify their insurance carrier. Many times employers do not know, and will not provide this information to workers.

Proof of coverage (POC) information in California is available only to injured workers from the Workers' Compensation Insurance Rating Bureau of California (WCIRB). Injured workers may request this information in writing or by email through the WCIRB Customer Service Department. The injured worker must provide the name and address of the employer and the date of injury. The WCIRB will respond within approximately 30 days.

Premium rate information for job classification codes is available only at the Viewing Rooms of the California Department of Insurance (CDI) offices in San Francisco and Los Angeles.

Other States

CHSWC staff contacted various members of the workers' compensation community to identify the states to be included in the review. Input was also received from the National Council on Compensation Insurance (NCCI) which provides proof of coverage for 28 states. NCCI identified Florida and Mississippi as the states which provide public access to verify coverage on their websites.

A number of states have taken proactive steps to ensure coverage and provide this information to the consumers. In the last few years, Texas, Florida, Mississippi and Michigan have made proof of workers' compensation insurance coverage available to the public on their websites. POC information was also available previously in response to a telephone inquiry. These websites now provide additional ways to access this information.

Mississippi reported in 2005 that public access to coverage information has saved money equivalent to one full-time worker. In the case of Florida, the savings have been equivalent to at least \$75,000 annually.¹

Overall, these databases have been widely supported by the workers' compensation stakeholders and throughout community. Some insurers themselves have utilized these websites, for example, to ascertain if another insurance company could potentially share the liability in certain claims.

This report suggests that with some legislative language such as adopted by Texas,

¹ Tonya Granger, Insurance Specialist III, Florida Division of Workers' Compensation.

California could also provide this service either through a designated rating organization or through the state of California.

National

At the national level, POC data is derived from policies submitted to the National Council on Compensation Insurance (NCCI) from 28 states. Data is submitted by insurance carriers in the International Association of Industrial Accident Boards and Commissions (IAIABC) format. POC information is offered only to staff of state accident boards and commissions to verify coverage for insured employers in their state. This web-based service is provided at no cost to NCCI members, except for internet access.

Several states, including Nevada, South Carolina, Maryland, Illinois, Vermont and Georgia, have requested that NCCI assist them in implementing a web-based coverage verification service through their state worker' compensation websites accessible to the public. NCCI is developing a plan to provide coverage information through a linkage to the state's workers' compensation website.

Costs of the Databases

There are initial costs in setting up the database, but the maintenance cost is not very high and in some cases negligible. Texas has set up the database on proof of coverage initially in 2002 using a vendor; the database cost about \$100,000 to build and \$45,000 annually to host. In 2003, Texas built its own internal database which cost about \$100,000. The database is housed in the Texas Workers' Compensation Commission and costs very little to maintain.²

In Florida, the web based version of the database took 5-6 full time employees to set up over a period of one month. However, there was already a proof of coverage database that was housed in the Division of Workers' Compensation, but could not be accessed by the public.³

Recommendation

CHSWC recommends that a roundtable be convened to determine the feasibility in California of providing a publicly accessible database of insurance coverage. California could make proof of workers' compensation insurance coverage available to the public on its website, as do other states such as Texas, Florida, and Mississippi.

² Stacey Jefferson, Director of Business Information Technology, Texas Workers' Compensation Commission.

³ Jeff Schwantes, Senior Database Analyst, Florida Division of Workers' Compensation